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C O N F I D E N T I A L SECTION 01 OF 02 YEREVAN 000815

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TAGS: [ENRG](#) [ETTC](#) [PREL](#) [KMDR](#) [IR](#) [AM](#)
SUBJECT: IRAN-ARMENIA PIPELINE DEMARCHE; MEDIA REPORT U.S.
GAVE ARMENIA A "YELLOW CARD" ON IRAN RELATIONS

REF: A. A) STATE 79300
 1B. B) BAKU 766
 1C. C) YEREVAN 331
 1D. D) YEREVAN 328

Classified By: CDA A.F. Godfrey, reasons 1.4 (b,d)

1. (C) CDA and Pol/Econ chief delivered Ref A demarche points to FM Oskanian June 13. CDA also emphasized the continuing diplomatic and public relations disaster that Armenia's Iran engagement represents, given the context of UNSCRs and international consensus on the need to isolate Iran. He pointed out high concern in the Administration and Congress alike about Iran, and reminded of the risk of Iran Sanctions Act penalties and that Congress seems minded to tighten these sanctions.

2. (C) FM Oskanian acknowledged our points, but said we had hashed this all out a some length at the time of the pipeline opening ceremony at the Armenian-Iranian border (refs C and D). He reminded that this "second phase" is not a new project at all, but simply completing the project precisely along the lines that Armenia has always told us that it would. He reaffirmed Armenia's commitment to be fully transparent with the USG on all aspects of Armenia's energy relationship with Iran and that the GOAM would do its very best to minimize any political or public opinion spillover from the energy engagement, which must proceed to protect Armenia's critical national interest in having an alternative energy supply. Within the basic premise that Armenia cannot and will not stop the pipeline project from being completed, Armenia will do everything else it can to assuage U.S. concerns. CDA took the point, thanked the minister for his commitment to full transparency, and reaffirmed that -- given the incredible sensitivity to Iran issues -- it would be imperative for Armenia to consult continuously, both in Yerevan and through the Armenian Embassy in Washington, to ensure that Washington agencies are not surprised by any announcement of new energy projects with Iran. Oskanian agreed.

3. (SBU) Meanwhile, also on June 13, Prime Minister Serzh Sargsian received the Iranian Ambassador Alirezza Haghighian for an office call, after which the two men spoke of a July "Inter-Governmental Commission" meeting between the two governments, at which time they hoped energy relations would gain new momentum. Haghighian announced a "large international conference" on transportation will be held in Iran in July to discuss the importance of the "North-South" corridor. Armenian Transport and Communications Minister Manukian will be invited to lead an Armenian delegation to the conference.

4. (SBU) CDA took a question posed during a thematically unrelated press opportunity June 15, in which he expressed

concern over Armenia's growing energy relationships with Iran (transcript at para 7). The comment generated considerable press discussion throughout the week of June 18-22, and provoked public reactions from FM Oskanian, Deputy Parliament Speaker Vahan Hovhannissian (ARF-Dashnaktsutyun party), and ruling Republican Party spokesman Samvel Nikoyan, among others. On June 18, Deputy Speaker Hovhannissian told a press conference that in his view the CDA's remark was directed mostly at Iran. Hovhannissian said that the U.S. and EU had thus far treated "Armenian-Iranian mutual relations with understanding," recognizing that "a country which is blockaded has no choice." Hovhannissian said that Armenia's energy cooperation with Iran was in its national interest, and must therefore continue. He said the cooperation was "normal, explicable, and justified in the sphere of energy."

¶5. (SBU) On June 19, FM Oskanian told reporters that Armenia's cooperation for Iran should be no basis for difficulties in the U.S.-Armenia relationship, and affirmed that Armenia's relations with Iran, as with all Armenia's neighbors, "remain transparent." Republican Party board member and parliamentarian Samvel Nikoyan offered a nuanced reaction. He noted that international community opinion on Iran is hardening and suggested CDA's comment reflects that international consensus, but he also said "up until now the U.S. has been very understanding of Armenian and Iranian cooperation, and will continue to hold that position. Nikoyan said "I think the U.S. has one goal, which is to involve Armenia into the international community's campaign demanding that the Islamic Republic stop uranium enrichment." Nikoyan said this is an important concern for Armenia as well, but not one on which Armenia could sacrifice its "normal relations" with Iran. "Simply, Armenia does not have another alternative" to cooperative relations with Iran. However, Nikoyan implied that Armenia might be convinced to be more

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active in pressing the anti-nuclear agenda on Iran.

¶6. (SBU) As the week wore on, media editorial analysis grew more speculative and conspiratorial, as is its usual wont here. The Noyan Tapan news agency's headline "Anthony Godfrey's Statement is a 'Yellow Card' to Armenian Government," was a great tag line for our public diplomacy efforts, though the story bogged down in absurd tangents linking our Iran policy to U.S.-Russian relations, and perceived stalemate in the Nagorno-Karabakh peace process.

¶7. (U) TRANSCRIPT (AS RECORDED): "Does the United States continue to demonstrate understanding on Armenian-Iranian cooperation on energy?" The charge replied, "(O)n energy cooperation with Iran, we are very concerned about the increasing relations with Iran. We are working with the rest of the international community to push Iran to comply with its international obligations. And two new Security Council Resolutions deal directly with investments in Iran, in financial dealing with Iran. And we have expressed our concerns to the Government of Armenia on all levels. We do appreciate the transparent way in which the Government of Armenia conducts its energy relations with Iran and we appreciate the straightforward way that they tell us where they are going with their relations. We are in fact encouraging the Government of Armenia to be a more active partner in international efforts to bring Iran into compliance."

¶8. (C) COMMENT: It was clearly time to add a public diplomacy element to our longstanding diplomatic dialogue with the GOAM on energy issues, though it has made our Armenian government interlocutors uncomfortable. We continue to hammer the message that it is no time for "business as usual" with Iran. That said, it is equally important for the United States to hear what the Armenians consistently tell us, which is that energy security is a core national security

imperative for Armenia. With Armenia's Turkish and Azerbaijani borders sealed, and with the ever-present threat that volatile Russian-Georgian relations could at any time shut down Armenia's natural gas supply from the north, Armenians truly see no choice but to have access to Iranian gas to prevent economic catastrophe. The message we have to drive home is that anything that would allow Iran to export gas through Armenia onward to anywhere else would be a sharp red line for us, at which point our patience and understanding would terminate.

GODFREY